MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

The Observer

15.10.2021

The Observer weekly newsletter is now available in Bahasa Melayu. The translated version will be uploaded on MSWG's website every Monday. Please check out www.mswg.org.my for further details.

Besides, do follow MSWG's Twitter account at @MSWGMalaysia to share your thought on our tweets from time to time.

❖ CHHB shareholders subject to dilution with new shares issuance to pay for executive chairman's assets

On 6 October 2021, Country Heights Holdings Bhd (CHHB) announced that it has inked five heads of agreements (HOA) to acquire assets from the private investment holdings of its executive chairman Tan Sri Lee Kim Yew in exchange for a 100% issuance of CHHB shares.

According to CHHB, the corporate exercise is intended to delineate a clearer line of operations between the private interests of the controlling shareholder and the public listed group.

In essence, the five HOAs are:

• A 29.63% stake in Country Heights Health Tourism Sdn Bhd
The acquisition of 29.63% stake in Country Heights Health Tourism Sdn Bhd from Country Heights Venture Sdn Bhd for RM6 million through the issuance of five million new ordinary shares in CHHB at an issue price of RM1.20 apiece.

This will result in CHHB owning 80% of the wellness division with the current CEO holding the remaining interest.

GHHS Healthcare, the brand name for Country Heights Health Tourism will present an expansion plan for CHHB group wellness operations as it has tremendous growth potential to expand their existing 30,000 membership and wellness offerings into TCM (Traditional Chinese Medicine) hospital; confinement hotel; elderly daycare; and pharmacy.

• Mines Waterfront Business Park (MWBP) Level 9 & 10
The acquisition of 9th and 10th Floor of Block A of The Mines Waterfront Business Park @ The Mines Resort City with a total area of approximately 22,500 sq ft from Fresh Avenue Sdn Bhd for RM12 million through the issuance of 10 million new CHHB shares at an issue price of RM1.20 per share.

This exercise will allow CHHB to consolidate all units in MWBP for future corporate exercises.

• Two pieces of land in Ulu Langat for future high-rise development
The acquisition of a plot of 5.62 acres land in Daerah Ulu Langat from Bee Garden Holdings Sdn Bhd for RM42 million through the issuance of 35 million new CHHB shares at RM1.20/share.

The acquisition of another plot of land in Daerah Ulu Langat measuring circa 2.82 acres from Castlepark Sdn Bhd for RM21 million through issuance of 17.5 million CHHB shares at RM1.20/share.

• Land in the Mines Township
The acquisition of a parcel of waterfront development land measuring 37.98 acres which is dubbed the jewel in the Mines Township from Mines Wonderland Sdn Bhd for RM400 million through the issuance of 333.33 million new CHHB shares at RM1.20/share.

• Leasehold land to be developed into Dream City Phase 2
A HOA with Mines Resort Sdn Bhd to acquire a portion of leasehold land measuring 4.325 acres (of a total 7.244 acres) in Pekan Baru Sungei Besi, (on which 4 blocks of service apartments will be developed and identified as phase 2 of Dream City), together with the rights and interests in the joint development of Dream City Phase 2 for RM73 million through the issuance of 60.83 million new CHHB shares at RM1.20/share.

Collectively, the five HOA amounted RM554 million, all of which are to be financed through the issuance of CHHB shares. The vendors are deemed related parties by virtue of Tan Sri Lee's interest in these entities.

According to CHHB, the corporate exercise is part of an ongoing transformation exercise which will also involve raising funds from the capital market and other digital initiatives to be announced in due course.

Besides, Tan Sri Lee said the transfer of some of the "most attractive assets" under his private holdings to CHHB is to create immediate value in the Group as well as create a clearer line of separation between the listed entities and his private investments.

This will also provide CHHB better foundation with which to expand the healthcare division and take the next step into its digital initiatives which will be revealed soon.

Echoing the view expressed by Tan Sri Lee, CHHB's managing director Datuk Jared Lim noted that acquiring the said assets will ultimately create a clearer line between the controlling shareholders and the listed entity.

"This is part of our overall transformation plan and will create a larger capitalisation, better value and greater economies of scale for CHHB," he added.

Safeguards for minority shareholders
Although the Board is of the opinion that the corporate exercise is in the best interest of CHHB, minority shareholders who are opposed or not in favour of the exercise need not resort to pressing the panic button so abruptly.

This is because the proposed acquisitions are still subject to the approval of CHHB's shareholders at an extraordinary general meeting (EGM) which will be convened on a later date.

In all fairness, it will be too early at this juncture to jump to conclusions as to whether the whole corporate exercise will create value to shareholders or otherwise given more details and circulars are likely to be on the way as the parties involved may after all be 'tweaking the deal' to ensure it becomes more appealing to all shareholders.

What is certain for now based on what the five HOAs entail is that a dilution effect to CHHB's shares is inevitable following the issuance of new shares to offset the acquisition costs for assets belonging to the CHHB's founder/family.

FHMH Corporate Advisory Sdn Bhd has been appointed as the independent adviser to advise the non-interested shareholders of CHHB on whether they should vote in favour of the Proposed Acquisitions and to comment on the fairness and reasonableness of the deal.

Conclusion
The earnings per share has a direct correlation to share prices as compared to net assets or net tangible assets of a PLC. The increases in earnings tend to move the needle more directly in comparison to increases in net asset values. Given the current property overhang, injecting properties alone will not move the needle.

As such, minority shareholders should look forward to the injection of profitable ventures as opposed to pure assets which do not have a profit track record. At the very least, profit guarantees will be a bit comforting to minority shareholders.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 18 – 22 October 2021

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholders Watch Group's (MSWG) watch list.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

Date & Time	Company	Quick-Take
20.10.21 (Wed) 10.00 am	Wong Engineering Corporation Bhd (EGM)	The Company is proposing a bonus issue of up to 151.29 million new Shares on the basis of 6 Bonus Shares for every 5 existing WECB shares held on an entitlement date to be determined later.
20.10.21 (Wed) 10.30 am	Inix Technologies Holdings Bhd (EGM)	The EGM is to seek shareholders' approval for the proposed diversification of the existing

		businesses of INIX and its subsidiaries to include manufacturing, marketing and trading of gloves. The Proposed Diversification is a result of INIX's acquisition of 51% equity interest in INIX L&S Sdn Bhd for RM6.5 million, which was completed on 19 July 2021. The acquisition provides an opportunity for the Group to invest in a glove manufacturing company which has been operational with existing customers. It is a stepping stone for the Group to venture into the Glove Business without any gestation period.
21.10.21 (Thur) 11.00 am	Permaju Industries Bhd (EGM)	The EGM will seek shareholders' approval for the proposed rights issue of up to 2.06 billion new ordinary shares in the Company on the basis of 1 Rights Share for every 1 existing Share held by the entitled shareholders of Permaju. Permaju intends to raise minimum RM10.00 million from the Proposed Rights Issue. Its ED Mr. Tang Boon Koon has also given his undertaking to apply and subscribe in full for his entitlement of Rights Shares and additional Rights Shares not taken up by other entitled shareholders to the extent that such amounts to RM10 million. The proceeds raised are to be utilised for importation of luxury and premium EVs, establishment of an EV showroom and after-sales service centre.
21.10.21 (Thur) 11.30 am	Hai-O Enterprise Bhd (AGM)	Hai-O Group has delivered resilient results in FY2021 amidst the challenges brought by the pandemic. Group's revenue rose 6.3% to RM271.4 million (FY2020: RM255.2 million) mainly due to higher sales in MLM and Wholesale divisions and profit

		before taxation grew 26.0% to RM52.3 million (FY2020: RM41.5 million) in FY2021 mainly attributed to cost optimisation and change in sales mix. Looking forward, the Group remains cautious on its outlook which may be impacted by the lingering pandemic and weaker consumer sentiments.
22.10.21 (Fri) 09.00 am	Vizione Holdings Bhd (EGM)	For the upcoming EGM, Vizione proposes to undertake the following corporate exercises: 1. Proposed variation of the utilisation of proceeds raised from the private placement which was completed on 2 June 2021 to the current intended utilisation. 2. Proposed diversification of the existing business of Vizione and its subsidiaries to include manufacturing and trading of rubber gloves and condoms. 3. Proposed Rights Issue of Up to 1.37 billion new ordinary shares in Vizione on the basis of 1 Rights Share for every 1 existing share held, together with up to 684.57 million free detachable Warrants on the basis of 1 Warrant E for every 2 Rights Shares subscribed.
22.10.21 (Fri) 10.00 am	Pintaras Jaya Bhd (AGM)	Pintaras' PBT for the construction segment increased substantially to RM58.9 million. It recorded improved profits for its Malaysia and Singapore operations due to good margins for a few projects in Singapore.
22.10.21 (Fri) 10.30 am	BSL Corporation Bhd (EGM)	BSL proposes to undertake the following corporate exercises: 1. Proposed Share Split involving a subdivision of every

		1 existing Ordinary Share in BSLCorp into 2 shares 2. Proposed Private Placement of Up to 58.8 million new shares, representing up to 30% of the total number of issued shares, to independent third-party investor(s) to be identified later at an issue price to be determined later 3. Proposed Bonus Issue of up to 127.4 million free Warrants in BSLCorp on the basis of 1 Warrant for every 2 shares held. 4. Proposed Establishment of An Employees' Share Option Scheme involving up to 15% of the total number of issued shares for eligible directors and employees of the company and its subsidiaries.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
Hai-O Enterprise Bhd (AGM)	The Retail segment operation was the hardest hit by Covid-19 pandemic as the retail chain stores were affected by various movement controls imposed by the Government in FY2021. Stringent lockdowns had led to a virtual elimination of casual shoppers for major retail businesses (page 19 & 27 of AR 2021). a) How have the full lockdown in June 2021 and the weaker consumer sentiments affected the Retail segment business? b) Covid-19 pandemic has caused inevitable change in customer buying behaviour (page 27 of AR 2021). Does the Company expect the Retail segment to lag in its recovery when this segment relies on brick-and-mortar sales? If so, how is the Company addressing these challenges? c) Hai-O has an internal e-Commerce platform (Hai-O eStore) and Hai-O flagship stores were set-up at both Lazada and Shopee in August 2020 (page 29 of AR

	2021). How much e-Commerce sales accounted for the total sales for Retail segment in FY2021? How successful is Hai-O eStore, Lazada and Shopee stores in attracting retail segment shoppers to make purchases online? Please elaborate on the traction and results from your online platforms.
Vizione Holdings Bhd (EGM)	**<u>Proposed Diversification</u>** The SSN Medical Products Acquisition was completed on 10 February 2021 and SSN Medical Products became a 51%-owned subsidiary of Vizione (Page 9 of the Circular). SSN Medical Products is involved in manufacturing, sale and distribution of: (i) latex and nitrile (for both surgical and examination) gloves (which includes long arm gloves for medical and non-medical use); (ii) high-risk anti-tear gloves; and (iii) condoms (Page 10 of the Circular). a) As an integrated construction engineering player, how does Vizione intend to closely monitor the progress of its venture into the new business to ensure it achieves its investment objective? b) What are the competitive advantages of SSN Medical Products over its peers in the market in each of the abovementioned business products? c) (c) When does Vizione expect to achieve payback on its investment in SSN Medical Products?
Pintaras Jaya Bhd (AGM)	1. There is a provision for impairment of receivables amounting to RM3,732,273 in FY2021 (FY2020: Reversal of RM165,057) (Page 44 of the Annual Report 2021). i. What are the reasons for the high impairments? ii. Are the receivables recoverable? If so, what is the expected recoverability amounts in FY2022? iii. Have any of these receivables been recovered to-date? iv. Do any of these receivables relate to related parties? 2. Other operating costs have increased by approximately 75% from RM2,861,194 in FY2020 to RM5,009,320 in FY2021 (Page 89 of the Annual Report 2021). What are the reasons for the significant increase in other operating costs?

BSL Corporation Bhd (EGM)	<u>Proposed Allocation of Options to Independent Non-Executive Directors</u> In line with better corporate governance, MSWG does not encourage the practice of giving ESOS to independent non-executive directors (INEDs) as they play the independent check and balance role (and not an executive role) in the Company and are responsible for monitoring the ESOS options allocation to employees and executive directors. Furthermore, ESOS, by definition, refers to a scheme for employees only. There is also the risk that the INEDs may be fixated with the share price of the Company and this may affect their impartial decision-making, which should be made without reference to share price considerations. Under the Proposed allocation of options, there are three INEDs namely Mr. Wong Boon Peng, Mr. Chong Kwang Fock, and Mr. Chew Khai Liong who are eligible to subscribe for new Shares under the ESOS scheme (Notice of EGM: Ordinary Resolutions No. 7, 8, and 9). a) Why is the ESOS extended to the three INEDs since they do not perform executive roles? Should not the directors' fee and other benefits they receive be adequate to compensate the services rendered by them? b) Considering the independent and non-executive role of the three INEDs in BSL, what is their view on the ESOS scheme extended to them? Are they keen to accept the shares if the ESOS options are offered to them?

MSWG TEAM

Devanesan Evanson, Chief Executive Officer, (devanesan@mswg.org.my)
Linnert Hoo, Head, Research & Development, (linnert.hoo@mswg.org.my)
Norhisam Sidek, Manager, Corporate Monitoring, (norhisam@mswg.org.my)
Lee Chee Meng, Manager, Corporate Monitoring, (chee.meng@mswg.org.my)
Elaine Choo Yi Ling, Manager, Corporate Monitoring, (elaine.choo@mswg.org.my)
Lim Cian Yai, Manager, Corporate Monitoring, (cianyai@mswg.org.my)
Ranjit Singh, Manager, Corporate Monitoring, (ranjit.singh@mswg.org.my)
Rita Foo, Manager, Corporate Monitoring, (rita.foo@mswg.org.my)
Nor Khalidah Mohd Khalil, Executive, Corporate Monitoring, (khalidah@mswg.org.my)

DISCLOSURE OF INTERESTS

•With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in this newsletter.

DISCLAIMER

The contents and the opinions expressed in this newsletter are based on information in the public domain and are intended to provide the user with general information and for reference only. Best efforts have been made to ensure that the information contained in this newsletter is accurate and current as at the date of publication. However, MSWG makes no express or implied warranty as to the accuracy or completeness of any such information and opinions contained in this newsletter. No information in this newsletter is intended to be or should be construed as a recommendation to buy or sell or an invitation to subscribe for any, of the subject securities, related investments or other financial instruments thereof.

MSWG bears no responsibility or liability for any reliance on any information or comments appearing herein or for reproduction of the same by third parties. All readers or investors are advised to obtain legal or other professional advice before taking any action based on this newsletter.